

## Message Text

UNCLASSIFIED

PAGE 01 JOHANN 01373 01 OF 03 181053Z

11

ACTION EB-07

INFO OCT-01 AF-08 ISO-00 USIA-15 /031 W  
----- 032733

R 180955Z AUG 76

FM AMCONSUL JOHANNESBURG

TO USDOC WASHDC

INFO SECSTATE WASHDC 4994

AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

UNCLAS SECTION 1 OF 3 JOHANNESBURG 1373

E.O. 11652: N/A

TAGS: BEXP SF

SUBJ: COMMERCIAL PROGRAM: TENTATIVE FY'78 TRADE EVENT PROGRAM

REF: 1) USDOC 13145 2) PRETORIA 0747 3) JOHANNESBURG  
1348 4) JOHANNESBURG A-64 5) JOHANNESBURG 195  
6) PRETORIA 3370 7) JOHANNESBURG A-67

### SUMMARY:

1. APPRECIATE OPPORTUNITY TO COMMENT ON PROGRAM  
OUTLINED REFTTEL ONE. WE HAVE FOLLOWING COMMENTS ON  
SCHEDULES: A) HOTEL AND RESTAURANT EQUIPMENT (EXPANDED  
AS PER OUR SUBSTANTIVE SECTION, SEE BELOW) APRIL  
SCHEDULE FINE FOR THIS POST. EXACT DATES WILL BE SUBJECT  
OF LATER REPORT. B) PROCESS CONTROL INSTRUMENTATION  
AUGUST SCHEDULE FINE WITH THIS POST. EXACT DATES WILL  
BE SUBJECT LATER REPORT. C) TOYS AND SPORTING GOODS.  
WE DO NOT CONCUR AT THIS TIME FOR REASONS REPORTED ON  
SAME THEME IN OURTEL 195 AND PRETORIA'S 747.  
MOREOVER, GIVEN IMPLICATIONS OF IMPORT DEPOSIT  
SCHEME AS REVIEWED IN PRETORIA'S 3370 AND OUR 1348,  
WE BELIEVE THAT, WHILE IT NECESSARY TO RETAIN AND, IF  
POSSIBLE, TO EXPAND US MARKET SHARE, THE LICENSING  
CONTROLS AND IMPORT DEPOSIT REQUIREMENTS MAKE IT  
UNLIKELY WE COULD STAGE SUCCESSFUL EVENT IN 1978.  
SHOULD FACTORS AFFECTING THIS SITUATION CHANGE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JOHANN 01373 01 OF 03 181053Z

SUBSTANTIALLY IN REASONABLY NEAR TIME-FRAME, WE WILL

COMMENT ACCORDINGLY. END SUMMARY

2. HOTEL AND RESTAURANT EQUIPMENT - APRIL 1978. WE BELIEVE THIS TO BE AN EXCELLENT THEME FOR THIS MARKET. TOURISM IS AN IMPORT FOREIGN EXCHANGE EARNER FOR THE RSA AND INTERNAL TOURISM IS ALREADY HIGHLY DEVELOPED AND IS GROWING.

3. MARKET SIZE: IN CALCULATING THE MARKET SIZE IN THE HOTEL AND RESTAURANT EQUIPMENT FIELD COGNISENCE MUST BE TAKEN OF A NUMBER OF FACTORS. THE ONLY AVAILABLE TRADE FIGURES ARE THOSE CONTAINED IN THE LARGE BTN BASKETS, AND FROM THESE FIGURES IT IS NOT POSSIBLE TO DISCERN WHICH EQUIPMENT IS SOLELY FOR HOTEL OR RESTAURANT USE, OR FOR DOMESTIC USE AS WELL. THE TRADE FIGURES SHOWN IN TABLE I ARE THEREFORE FOR THE WHOLE RANGE INCLUDING IN SOME INSTANCES, EQUIPMENT USED DOMESTICALLY. WHERE REFRIGERATORS AND STOVES ARE CONCERNED, DOMESTIC APPLIANCES HAVE BEEN EXCLUDED WHERE POSSIBLE. IT IS ALSO DIFFICULT TO IDENTIFY ALL EQUIPMENT WHICH WOULD BE USED IN THIS FIELD; HOWEVER, THE STATISTICS GIVEN REFLECT ONLY A PORTION, ALBEIT A MAJOR PORTION, OF EQUIPMENT USED. THUS THE CATEGORIES CATERED FOR IN THE TABLE SHOW IMPORT FIGURES FOR REFRIGERATING EQUIPMENT, ELECTRIC AND NON-ELECTRIC FISH-FRYERS, PERCOLATORS AND "SIMILAR EQUIPMENT", DISH WASHING EQUIPMENT, JUICE EXTRACTORS AND COOKING RANGES. THE BROADER "OTHER" CATEGORIES ARE ALSO CONSIDERED, AS THESE CAN CONTAIN A HOST OF RELATED APPLIANCES AND EQUIPMENT INCIDENTAL TO THE HOTEL AND RESTAURANT TRADE. BEARING THESE CONSIDERATIONS IN MIND, AN ESTIMATE OF IMPORT VALUES FOR EQUIPMENT USED SOLELY IN THE REQUIRED FIELDS MUST BE ARRIVED AT. TRADE SOURCES CONTACTED IN THIS REGARD FELT THAT A REASONABLE ESTIMATE WOULD BE BETWEEN TWENTY AND THIRTY PERCENT OF THE TOTAL VALUES. THIS WOULD SHOW A RELATIVELY SMALL IMPORT MARKET FOR HOTEL AND RESTAURANT EQUIPMENT - E.G. 1972 R5 - R6 MILLION RAND; 1973 R5.5 - R6.5 MILLION RAND; 1974 R7 - R9 MILLION RAND; 1975 R8 - R10 MILLION RAND. IT WILL BE NOTED THAT NO MENTION IS MADE OF LAUNDRY

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JOHANN 01373 01 OF 03 181053Z

EQUIPMENT AND CLEANING EQUIPMENT (VACUUM CLEANERS, SCRUBBERS, ETC.) AS THERE ARE SOME DOUBTS AS TO WHETHER THESE COULD BE INCLUDED IN HOTEL EQUIPMENT AS THE MAJORITY OF HOTELS CONTRACT OUTSIDE FIRMS TO PERFORM THIS FUNCTION. CONSIDERING THEREFORE THE RELATIVE SMALLNESS OF THE MARKET FOR HOTEL AND RESTAURANT EQUIPMENT, IT IS WONDERED WHETHER THERE MIGHT NOT BE SOME JUSTIFICATION FOR INCLUDING LAUNDRY AND CLEANING EQUIPMENT IN THE

PROJECTED PRODUCT LITERATURE DISPLAY. THIS WOULD INCREASE THE SCOPE OF THE TARGET MARKET TO INCLUDE CONTRACTORS WHO SPECIALIZE IN CLEANING OFFICES, HOTELS, ETC. THE FIGURES IN TABLE II GIVES AN INDICATION OF THE MARKET SIZE FOR IMPORTED EQUIPMENT OF THIS NATURE, VIZ. LAUNDRY AND DRY-CLEANING MACHINERY, VACUUM CLEANERS, FLOOR POLISHERS AND SCRUBBERS. HERE AGAIN THESE STATISTICS DO NOT EXCLUDE EQUIPMENT USED DOMESTICALLY.

ANOTHER ARGUMENT IN FAVOR OF INCLUDING THIS RANGE OF EQUIPMENT IN A PRODUCT LITERATURE SHOW, IS THAT MOST FIRMS MARKETING CATERING EQUIPMENT ALSO OPERATE DIVISIONS ACTIVE IN THE LAUNDRY AND DRY CLEANING, AND THE CLEANING EQUIPMENT FIELDS. IN THIS MANNER A LARGER TARGET AUDIENCE COULD BE ACHIEVED. ONE REASON FOR THE RELATIVE SMALLNESS OF IMPORTS IN THESE FIELDS IS THAT A SUBSTANTIAL AMOUNT OF LOCAL MANUFACTURE DOES TAKE PLACE. PARTICULAR EQUIPMENT THAT COMES TO MIND ARE COOKING RANGES, REFRIGERATION EQUIPMENT, AND STAINLESS STEEL EQUIPMENT.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 JOHANN 01373 02 OF 03 181237Z

65

ACTION EB-07

INFO OCT-01 AF-08 ISO-00 USIA-15 /031 W  
----- 033922

R 180955Z AUG 76  
FM AMCONSUL JOHANNESBURG  
TO USDOC WASHDC  
INFO SECSTATE WASHDC 4995  
AMEMBASSY PRETORIA  
AMCONSUL CAPE TOWN  
AMCONSUL DURBAN

UNCLAS SECTION 2 OF 3 JOHANNESBURG 1373

IMPORT TARIFFS:

THE FOLLOWING ARE THE CURRENT IMPORT TARIFFS IN  
THE BROAD CATEGORIES LISTED BELOW:

IMPORT	SALES DUTY
--------	------------

FISH FRIERS, PERCULATORS

AND RELATED:	20 PERCENT	20 PERCENT
--------------	------------	------------

REFRIGERATING EQUIPMENT	20 PERCENT	20 PERCENT
DISH WASHERS	20 PERCENT	6.5 PERCENT
LAUNDRY DRIERS	20 PERCENT	6.5 PERCENT
LAUNDRY WASHERS	25 PERCENT	6.5 PERCENT
DRY CLEANING EQUIPMENT	5 PERCENT	NIL
OTHER LAUNDRY EQUIPMENT	5 PERCENT	NIL
VACUUM CLEANERS	20 PERCENT *	6.5 PERCENT
FLOOR POLISHERS	20 PERCENT *	6.5 PERCENT

\* U.K. AND CANADA GRANTED PREFERENTIAL STATUS

5. U.S. SHARE OF MARKET: TABLE I SHOWS THAT THE U.S. ENJOYS A SUBSTANTIAL 30 PERCENT SHARE OF THE MARKET IN THE BROADER CATEGORIES LISTED. THIS IS ENCOURAGING, AND A PRODUCT LITERATURE DISPLAY IN THIS FIELD COULD ONLY SERVE TO MAINTAIN OR IMPROVE ON THIS POSITION. THE FIGURES SHOWN IN TABLE II HOWEVER DO NOT PAINT SUCH A GOOD PICTURE, RECORDING AN AVERAGE ONE TENTH SHARE OF THE MARKET. IT IS FELT THAT A DISPLAY IN THIS FIELD PARTICULARLY COULD SERVE THE GOOD PURPOSE OF PERHAPS INCREASING THIS SHARE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JOHANN 01373 02 OF 03 181237Z

MAIN COMPETITORS ARE OF COURSE SOUTH AFRICA'S TRADITIONAL EUROPEAN TRADING PARTNERS, WEST GERMANY, U.K. AND ITALY.

6. SUPPLIERS AND END-USERS: UNDER THE HEADING CATERING EQUIPMENT, THE NATIONAL TRADE INDEX LISTS 17 MANUFACTURERS, AND 25 DISTRIBUTORS FOR THE WHOLE OF SOUTH AFRICA. UNDER THE HEADING HOTEL, BAR AND INSTITUTION EQUIPMENT THE SAME PUBLICATION LISTS SEVENTEEN MANUFACTURERS AND ONE DISTRIBUTOR. FOR LAUNDRY AND DRY CLEANING MACHINERY AND EQUIPMENT THERE ARE 12 DISTRIBUTORS LISTED, AND ONE MANUFACTURER. THESE NUMBERS ARE NOT HOWEVER A RELIABLE GAUGE OF THE TARGET AREA AT WHICH SUCH A DISPLAY WOULD BE AIMED, AND IT IS FELT THAT A CLEARER PICTURE IS GIVEN BY THE YELLOW PAGES FOR JOHANNESBURG AND AREA. FIGURES AS FOLLOWS:

CATERING EQUIPMENT	: 48 DISTRIBUTORS
HOTEL EQUIPMENT	: 12 DISTRIBUTORS
CLEANING EQUIPMENT	: 15 DISTRIBUTORS
CLEANING SERVICES	: 20 FIRMS

TABLE I: IMPORTS (SEE JOHANNESBURG A-67 DATED AUGUST 18, 1976, FOR TABLES I THROUGH V).

TABLE II: IMPORTS

TABLE III: BTN BASKETS IN OUR STATISTICS

7. PROCESS CONTROL INSTRUMENTATION. THIS THEME IS A NATURAL FOR THIS MARKET. THE SAG THROUGH A WIDE

VARIETY OF PROGRAMS ENCOURAGES INDUSTRIALIZATION AND, AS IN THE AUTOMOBILE INDUSTRY, HAS SPECIFIC STAGES UNDER WHICH IMPORTS OF ASSEMBLED UNITS ARE CONTROLLED, WHILE CAPITAL EQUIPMENT FOR DOMESTIC INDUSTRIES OR COMPONENTS WHICH CAN DEMONSTRABLY BE SHOWN TO BE ESSENTIAL TO DOMESTIC INDUSTRIES' PRODUCTION PROGRAMS, MODERNIZATION OR DEVELOPMENT PROGRAMS ARE NOT CONTROLLED. THUS, THE LICENSING PROGRAMS DO NOT GENERALLY APPLY TO EQUIPMENT IN THIS RANGE AND THE NEWLY IMPLEMENTED IMPORT DEPOSIT SCHEME PROVIDES EXEMPTIONS FOR EQUIPMENT IMPORTS FOR PETROLEUM-BASED INDUSTRIES AS WELL AS AT THE LEVEL OF 10,000 RAND FOR OTHER DOMESTIC INDUSTRIES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JOHANN 01373 02 OF 03 181237Z

THUS, EQUIPMENT FOR THE PETRO-CHEMICAL INDUSTRIES IS EXEMPT UNDER THE IMPORT DEPOSIT SCHEME. WE WOULD BROADEN THE SCOPE OF THIS THEME TO INCLUDE INSTRUMENTATION FOR USE IN BIO-MEDICAL INDUSTRIES INCLUDING PHARMACEUTICAL INDUSTRIES; LABORATORY EQUIPMENT FOR TESTING AS WELL AS MEASUREMENT; ELECTRONIC INDUSTRIES MEASUREMENT AND TESTING EQUIPMENT AND INSTRUMENTATION FOR USE IN METAL INDUSTRIES AND PARTICULARLY IN WELDING INDUSTRIES.

WE WOULD NOT INCLUDE SUCH MUNDANE EQUIPMENT AS RULERS, TAPE MEASURES, MECHANICAL DRAWING EQUIPMENT AND SUCH LIKE. OUR EXPERIENCE IN OUR HEALTH CARE CATALOG DISPLAY IN MARCH/APRIL 1976 SHOWED THAT INCLUSION OF BANDAGES, CRUTCHES AND BEDPANS DETRACTED FROM THE DISPLAY SINCE OUR MARKET DEVELOPMENT PROGRAM HAD FOCUSED ON THE "ADVANCED US EQUIPMENT" IN THE DISPLAY. THUS, WE WOULD HOPE THAT IN ITS PROCUREMENT PROGRAM FOR THIS EVENT, THE DEPARTMENT WOULD DECLINE TO ACCEPT CATALOGS NOT FALLING WITHIN THE BTN RANGES WE INCLUDE IN OUR SUMMARY BELOW.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 JOHANN 01373 03 OF 03 181251Z

65  
ACTION EB-07

INFO OCT-01 AF-08 ISO-00 USIA-15 /031 W

----- 034087

R 180955Z AUG 76

FM AMCONSUL JOHANNESBURG

TO USDOC WASHDC

INFO SECSTATE WASHDC 4996

AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

UNCLAS SECTION 3 OF 3 JOHANNESBURG 1373

MARKET SIZE AND U.S. SHARE OF MARKET: AS CAN BE SEEN FROM TABLE IV THERE CERTAINLY IS A SUBSTANTIAL MARKET IN SOUTH AFRICA FOR PROCESS CONTROL INSTRUMENTATION. IMPORTS IN THE BROAD BTN BASKETS SHOW THAT IN 1971 OVER R32 MILLION WORTH OF EQUIPMENT WAS BROUGHT INTO THE COUNTRY, AND OVER THE FIVE YEAR PERIOD THROUGH 1975 THIS INCREASED BY AN AVERAGE ANNUAL 25 PERCENT UNTIL IMPORTS DOUBLED IN 1975 TO OVER R65 MILLION. THIS SHOWS TO A CERTAIN EXTENT THAT SOUTH AFRICAN INDUSTRY IS BECOMING INCREASINGLY SOPHISTICATED AND IS RELYING TO A GREATER EXTENT ON INSTRUMENTATION TO FACILITATE ITS MANUFACTURING PROCESSES. IT IS ENCOURAGING TO SEE THAT U.S. EXPORTERS TO SOUTH AFRICA HAVE BEEN ABLE CONSISTENTLY TO CAPTURE ABOUT 25-27 PERCENT OF THE IMPORT MARKET THROUGH THE YEARS 1971 TO 1975. THE MARKET WOULD SEEM TO BE FAIRLY EQUALLY DIVIDED BETWEEN THE THREE MAIN SUPPLIERS, WHICH TOGETHER WITH THE U.S. ARE THE UNITED KINGDOM AND WEST GERMANY. OTHER SUPPLIERS WHO DO NOT COMMAND SUCH AN EXTENSIVE SHARE OF THE MARKET ARE FRANCE, ITALY, JAPAN AND SWITZERLAND. REASONS FOR THE US' STRONG POSITION LOCALLY ARE FAIRLY OBVIOUS, IN THAT INDUSTRY IN AMERICA IS SOPHISTICATED AND WELL GEARED TO THE REQUIREMENTS OF THE MANUFACTURING INDUSTRIES. LOCAL BUYERS CONFIRM THAT U.S. PRODUCTS ARE OF A CONSISTENTLY HIGH QUALITY, AND THIS IS AN ALL IMPORTANT FACTOR

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JOHANN 01373 03 OF 03 181251Z

AMONG USERS WHO VIEW RELIABILITY AS A MAJOR FACTOR IN PURCHASING DECISIONS. THE PROPOSED LITERATURE DISPLAY WOULD THEREFORE HELP TO ENSURE THAT U.S. FIRMS ARE ABLE TO MAINTAIN THEIR STRONG POSITION ON THE LOCAL MARKET AND AT THE SAME TIME WILL BRING TO THE ATTENTION OF LOCAL INDUSTRY ANY NEW DEVELOPMENTS IN THIS FIELD. END USERS AND TRADE DISTRIBUTORS: PROCESS CONTROL INSTRUMENTATION IS OF COURSE USED THROUGHOUT INDUSTRY, AND IT WOULD BE POINTLESS TO EXPAND UPON THE END-USERS OF

SUCH EQUIPMENT AS IT GOES WITHOUT SAYING THAT AS LOCAL INDUSTRY EXPANDS AND BECOMES MORE SOPHISTICATED, SO WILL THE NEED FOR SUCH EQUIPMENT INCREASE. SOUTH AFRICA IS THE MOST ADVANCED INDUSTRIAL COUNTRY IN AFRICA, AND AS THE DRIVE TO IMPROVE ITS BALANCE OF PAYMENTS POSITION CONTINUES IT CAN BE EXPECTED THAT INDUSTRY WILL BECOME INCREASINGLY GEARED TO MEET LOCAL REQUIREMENTS IN VIRTUALLY ALL FIELDS, PARTICULARLY IN CONSUMER GOODS INDUSTRIES, THUS CREATING A GREATER MARKET FOR INSTRUMENTATION TO FACILITATE RELATED MANUFACTURING PROCESSES.

AS AN INDICATION OF THE SIZE OF THE MANUFACTURING AND DISTRIBUTING INDUSTRY, THE NATIONAL TRADE INDEX FOR SOUTH AFRICA (NTI) UNDER THE HEADING "CONTROL INSTRUMENTS", LISTS 24 MANUFACTURERS AND 28 TRADE DISTRIBUTORS THROUGHOUT SOUTH AFRICA. THE NTI BY NO MEANS LISTS ALL FIRMS INVOLVED IN THIS FIELD, AND AS A SAMPLING, THE YELLOW PAGES FOR THE JOHANNESBURG AREA LISTS 24 SUCH DISTRIBUTORS. THESE ARE HOWEVER LISTED UNDER THE SPECIFIC HEADING - PROCESS CONTROL - AND IT IS ANTICIPATED THAT THE TARGET FOR SUCH A DISPLAY COULD BE EXTENDED CONSIDERABLY BY INCLUDING THOSE FIRMS INVOLVED IN ELECTRONICS AND ALLIED FIELDS AS THEY WOULD ALSO, IT IS CERTAIN, SHOW AN INTEREST IN LATEST DEVELOPMENTS IN THE U.S. CONCERNING PROCESS INSTRUMENTATION.

SEE TABLES IV AND V JOHANNESBURG A-67,  
AUGUST 18, 1976.

JOHNSON

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976JOHANN01373  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760316-0885  
**From:** JOHANNESBURG  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760843/aaaableg.tel  
**Line Count:** 359  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 PRETORIA 747, 76 JOHANNESBURG 76  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 APR 2004 by ReddocGW>; APPROVED <18 JAN 2005 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COMMERCIAL PROGRAM: TENTATIVE FY'78 TRADE EVENT PROGRAM  
**TAGS:** BEXP, SF  
**To:** COM  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006